GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2822
ANSWERED ON:02.12.2016
Weakening Indian Rupee
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware of the weakening Indian rupee, if so, the details thereof and its impact on various sectors, sector-wise;

(b) whether the weakening of rupee is due to Brexit fallout and if so, the details thereof;

(c) the steps taken by the Government to curb/check the weakening of rupee and ensure economic growth including export growth; and

(d) the extent to which the pacts signed during the BRICS and BIMSTEC conclaves have had a positive effect on appreciation of rupee value?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a) The rupee has depreciated against the US dollar while it has appreciated against pound sterling in 2016-17 (April-October). The appreciation and depreciation of the rupee against the US dollar and some major currencies is given in table below:

Appreciation (+)/Depreciation (-) of Indian Rupee
against major currencies (per cent)

	US Dollar	Pound Sterling	Euro	Japanese Yen
2014-15	-1.04	-2.30	4.71	8.20
2015-16	-6.61	-0.15	7.24	2.26
2016-17 (Apr.-Oct.)	-3.82	9.36	-4.55	-16.95

Source: Reserve Bank of India

The impact of appreciation or depreciation of Indian Rupee on different sectors of the Indian economy depends on a number of factors like elasticity of exports and imports, import intensity of exports, relative prices of domestic and global products, etc. The softening of international commodity prices, particularly crude oil prices, notwithstanding the moderate nominal depreciation of the rupee vis-Ã -vis the US dollar , will have favourable impact on the value of imports, trade and current account balances as well as macroeconomic stability.

(b) The rupee depreciated against the US dollar by around 1 per cent for one day after the Brexit referendum, while currencies of other emerging markets depreciated for many days. But on a cumulative basis, the rupee has actually appreciated by 0.2 per cent on 25th July 2016 over 23rd June 2016.

(c) & (d) The exchange rate of the rupee is by and large market determined and is not affected by any specific pacts or agreements. The exchange rate policy of the RBI is aimed at managing excessive volatility and maintaining orderly conditions without having any fixed target or band for the exchange rate. India's economic growth of 7.6 per cent in 2015-16 is one of the highest among the major economies in the world. Though India's exports were affected due to the global slowdown, recently exports are showing signs of revival with positive growths of 4.0 per cent and 9.6 per cent in September 2016 and October 2016 respectively. The Government and the RBI are closely monitoring the emerging external situation including exchange rate of the rupee in nominal and real terms and calibrating policies on an on-going basis to support robust macroeconomic outcomes.
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